

CHF Revolving Loan Fund

Program Policies and Procedures Adopted as Updated January 6, 2022

I. PURPOSE

As a “revolving” loan fund, it is intended as a permanent source of financing for historic property redevelopment. The CHF Revolving Loan Fund was created in 2002 to support historic preservation in Colorado through low-interest loans for projects receiving grants from the State Historical Fund (SHF). In 2010, in an effort to increasingly support preservation by private developers, eligibility broadened to include projects not necessarily receiving SHF grants.

II. ORGANIZATIONAL STRUCTURE

The CHF Revolving Loan Fund (CHFRLF) is a subsidiary of the Colorado Historical Foundation and was established as its own separate Colorado nonprofit corporation with 501(c)(3) tax status. The Colorado Historical Foundation appoints the CHFRLF Board members and the CHFRLF Board appoints its own officers and a Loan Committee.

III. THE LOAN COMMITTEE

A. Creation and term:

1. The CHFRLF Board of Directors shall, by majority vote, appoint a Loan Committee to be made up of five (5) members in the manner described in section VI. C.
2. Loan Committee members shall have experience necessary to discuss and build consensus around the financial and preservation merits and risks of project applications. Banking, lending, development, commercial real estate, historic property rehabilitation, or community economic development experience is helpful.
3. Loan Committee members shall serve for two-year terms, beginning January 1 of the year following their appointment unless a member’s term of service is reduced by either resignation or removal, or unless a member is newly appointed to fill the time remaining for a vacated term. Members may be reappointed as deemed appropriate by the CHFRLF Board. If a Loan Committee member resigns or is removed before his/her term expires, the Board of Directors may appoint a replacement for the remainder of that term.

B. Purpose and authority:

1. The primary responsibility of the Loan Committee shall be to review applications and make recommendations to the Board of Directors to approve a loan application with specific loan terms and security, or to decline the application. All recommendations of the Loan Committee must be ratified by a majority vote of the CHFRLF Board of Directors, which is responsible for making all final decisions regarding loans.
2. The Loan Committee may also make recommendations to the CHFRLF Board of Directors regarding any requested loan extensions or modifications.
3. The Loan Committee may establish regularly scheduled meetings or may hold meetings on an as-needed basis. Special meetings may be called and scheduled by staff and scheduled meetings may be cancelled by staff if there is no business to conduct. Members shall be given no less than one week's notice of meetings that are either called or cancelled. Meetings may be held by conference call. Minutes shall be recorded for each meeting and will include the votes of each member.
4. A Loan Committee quorum, consisting of a simple majority, is required to consider or take any action on a loan application. A majority vote of the quorum is required to make a recommendation to the board to approve or decline a loan application, regardless of the number of members meeting.

IV. PROGRAM ADMINISTRATION

CHFRLF reimburses the Colorado Historical Foundation for staffing, proportional operating expenses, and direct expenses. The Foundation's staff supports the CHFRLF for a portion of time budgeted by each organization annually.

V. COLORADO HOUSING & FINANCE AUTHORITY (CHFA)

CHFA acts as the fiscal agent for the CHFRLF and is responsible for all aspects of loan servicing. More specifically, CHFA:

- A. Promotes and markets the program under the direction of the CHFRLF.
- B. Conducts the financial portion of loan reviews, provides an assessment of the financial strength of each project and applicant, and makes suggestions on how to mitigate loan risk.
- C. Provides the Loan Committee with financial analysis relating to loan risk and collateral needed to secure all loans.
- D. Provides Pre-Closing due diligence and prepares closing documents for review by CHFRLF legal counsel and disburses loan funds.

- E. Services all loans including monitoring of payments, enforcement of delinquent accounts, and closeout of loans upon full repayment.

VI. ELIGIBLE PROJECTS AND BORROWERS

- A. **Eligible properties** in Colorado that are feasible for rehabilitation for income-generating, public, nonprofit or community uses; and at least one of the following apply:

1. Listed, or eligible to be listed*, on the National Register of Historic Places
2. Listed or eligible to be listed*, on the State Register of Historic Properties
3. Contributing building within a National Register or local Historic District
4. Locally landmarked through county or municipal ordinance or resolution,
5. Contributing building to a locally designated historic district.

**Must complete a "Determination of Eligibility through the State Historic Preservation Office*

- B. **Eligible applicants** include public, private and not-for-profit entities, as well as individuals.

- C. **Eligible Expenses:**

1. **Reasonable predevelopment/soft third-party costs** such as, accounting/real estate attorney fees, architectural and engineering services, appraisal, development consultants, preservation consultants, environmental assessment, historic tax credit consulting and application fees
2. **Rehabilitation costs** – Completed work and materials must generally follow the *Secretary of the Interior Standards for Treatment of Historic Properties*
3. **Construction fees and permits**
4. **CHFRLF Loan closing costs** such as title commitment and policy, UCC filing, recording fees, appraisal/valuation, professional fees, tax certificates (*if requested at time of application*)
5. **Acquisition** funding will be considered if rehabilitation and permanent financing are already secured, and the property's historic character will be protected by covenant, easement, or local ordinance.

VII. LOAN TERMS

- A. The products offered by the CHFRLF are all fixed-rate, secured loans. Loan terms are flexible and dependent upon project and borrower needs.
 1. Interest rates are generally below market rates. The interest rate for each loan is based on the needs of the borrower weighed against the transaction time and costs associated with each specific loan application's administration, negotiation and origination as well as the loan's long-term servicing and monitoring requirements.
 2. Repayment terms are not to exceed five years.

3. Repayment schedules may be flexible, to include periods of interest-only, longer amortization schedules and balloon payments.
4. Although there are no minimum or maximum loan amounts, loans of less than \$250,000 or over \$750,000 will be considered only under unusual circumstances.
5. There are no penalties for prepayment, provided that all servicing and administrative fees are paid up front.
6. All loans must be fully secured with appropriate collateral and guarantors.
7. A minimum of 10% owner equity (total project) is required.
8. Underwriting guidelines are determined by the Loan Committee.

B. Loan Costs and Fees

1. Borrower is responsible for costs of recording, appraisal, inspections, title commitment & policy, survey, UCC filing fees, credit reports, required insurance, legal counsel and other fees associated with loan processing and collateral perfection.
2. Applicants and borrowers are responsible for procuring their own legal, accounting and tax advice.
3. Closing costs are generally paid at closing, although these costs may be added to the loan principal if it is both requested by the borrower upon application and recommended by the Loan Committee.
4. A nonrefundable loan commitment fee is charged in accordance with a set fee schedule developed by the Loan Committee and approved by the CHFRLF Board of Directors.

VIII. LOAN APPLICATION AND APPROVAL PROCESS

- A. Loan applications may be made at any time.
- B. Loan applications are considered complete when all requested documentation and materials necessary to assess loan risk have been received. Such documentation may include the last 3 years of financial statements and tax returns, 2 years of financial projections, project/business plans, pro-forma, total project budget sources & uses, personal guarantor financial statements, etc. Specific loan application requirements and application forms are developed by the Loan Committee and CHFA.
- C. Loan applications are initially reviewed by CHFRLF staff to determine basic eligibility and are then forwarded to CHFA for their review and analysis. Staff may at times consult with the History Colorado State Historic Preservation Office or the State Historical Fund to provide background on historical designation and significance, technical aspects and preservation work done to date on the property.
- D. CHFA performs the financial review of the application materials, develops an assessment of the financial strength of project and applicant as well as overall loan

risk for application, and makes suggestions on how CHF may want to secure a loan and/or mitigate loan risk (collateral, loan terms, etc.). As a mission-based fund, CHFRLF may accept riskier terms than conventional lenders. Therefore, no specific thresholds such as loan to value (LTV) or debt coverage (DCR) are stated as requirements. However, an applicant must demonstrate ability to repay their loan.

- E. In reaching a decision on a loan application, the Loan Committee shall critically assess and analyze all information contained in the loan application as well as evaluation and review provided by CHFA and CHFRLF staff. The Loan Committee's decision shall be based on a combined assessment of the preservation merits of the project and the loan risk, with a willingness to assume a slightly greater risk for projects having higher preservation value. Additional evaluation criteria may include consideration of the develop team's experience and qualifications, quality of the proposal, financial viability, and community support. It is highly recommended the development team include a partner, architect or consultant knowledgeable of the *Secretary of the Interior's Standards for Treatment of Historic Properties*. This familiarity should be reflected in the project description and architectural planning documents.
- F. Loan applications meeting all of the CHFRLF's lending policies may be recommended as "approve" or "decline" to the Board of Directors by a majority vote of a quorum of Loan Committee members. Any loan approval recommendation must also include specific recommendations on loan terms and type of security to require.
- G. Recommendations for approved loans will be within limits of available lending capital in hand, not what is anticipated to be paid in coming month/years.
- H. All recommendations of the Loan Committee must be ratified by the CHFRLF Board of Directors, which is responsible for making all final decisions regarding loans.
- I. The Loan Committee shall make recommendations to the CHFRLF Board of Directors regarding any requested loan extensions or modifications.

IX. LOAN CLOSING & FUND DISBURSEMENT

- A. Once a loan has been approved by the CHFRLF Board of Directors, staff shall notify CHFA to prepare for loan closing, pending the borrower's acceptance of the loan commitment and payment of the commitment fee. All conditions stated in the Loan Commitment should be satisfied prior to closing. CHFA shall verify that all needed information has been submitted, prepare loan documentation drafts for CHFRLF's legal review, review any title work or documents needed for the transaction, and negotiate any outstanding issues with the borrower. If there are any legal or other issues that require deviation from the signed loan commitment, standard loan policies, practices or standards, CHFA shall seek approval of CHFRLF staff, who will consult with the Loan Committee chair and/or President to determine if additional consideration or approval is required by either the Loan Committees or the CHFRLF Board of Directors.

- B. Loan funds shall be disbursed at closing or via a periodic disbursement agreement with approvals by CHFRLF staff in consultation with CHFA. CHFRLF staff shall work in coordination with CHFA to ensure that all required documentation is properly prepared, and that all funds are properly transferred and disbursed.

X. LOAN SERVICING, MONITORING AND REPORTING

- A. CHFA shall prepare quarterly reports showing all loan activity, including closings, monitoring and other servicing activity, and provide a full accounting of all charges and fees paid, funds disbursed, and loan repayments received. CHFRLF staff shall prepare quarterly reports showing all loan applications received and processed and a report of all program income, expenses and asset balances.
- B. Additionally, CHFA's quarterly reports should note any loans with payments that are over thirty (30) days past due. As soon as possible after any such delinquent loans have been identified, both CHFA and CHFRLF staff shall begin to work with the borrower in an attempt to receive payment or to develop a reasonable resolution to any temporary problems. If a satisfactory resolution is not reached by the sixtieth (60th) day after any payment is overdue, CHFA will prepare a written report for presentation to the Loan Committee that will include specific recommendations ranging from loan restructuring to foreclosure. The Loan Committee will meet within thirty (30) days of the completion of this report by CHFA to decide on a course of action for recommendation to the CHFRLF Board of Directors.
- C. In most instances a straight foreclosure will be viewed as the last option. In the case of foreclosure, a special meeting of the Loan Committee and the CHFRLF Board of Directors shall be held to assess the situation and the consequences of foreclosure. All foreclosure proceedings should be done in such a way to provide maximum protection for the CHFRLF's capital, the interest of all affected parties, and the future protection and preservation of any historic properties involved. Collateral liquidations must attempt to cover the cost of the CHFRLF's principal, accrued interest, and the transaction costs of the liquidation.
- D. Loan payments shall be made directly to CHFA. Loan payments are due the first (1st) of the month, with a late fee of five percent (5%) of the payment due with any payment received on or after the sixth (6th) day of the month.

Monthly remittances to CHFA shall be mailed to the following address:

Colorado Housing and Finance Authority
CHF Revolving Loan Fund
1981 Blake Street
Denver, CO 80202-7363

- E. The Borrower must keep records of compliance with the terms and conditions of the loan and must agree to maintain all records on file for a minimum of ten (10) years from the end of the loan term.

- F. Collection procedures for delinquent loans will be coordinated between CHFRLF Staff, CHFA and legal counsel to include, but not be limited to:
1. Written notification of late fee assessment.
 2. Written reminder notices of delinquency to the Borrower at fifteen (15) and thirty (30) days delinquent.
 3. Follow-up reminder notices with telephone contacts with the Borrower at thirty (30) days delinquent and as necessary thereafter.
 4. Personal contact with the Borrower after thirty (30) days delinquent and on-site inspections of the project.
 5. Notification of default at sixty (60) days delinquent. Exercise of remedies per loan documentation.

XI. POLICY REVIEW

- A. The Loan Committee shall periodically evaluate this policy and make recommendations to the Board of Directors for refinement as necessary and appropriate.